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EXECUTIVE COMPENSATION STUDY

1984

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P R E F A C E

Based on 186 companies that actively participated in our survey, we are presenting a special study on total executive compensation.

In the past two decades, we have seen a wide variety of changes in our tax laws which have significantly altered our approaches to both short and long term executive compensation, all indications point to a continued state of flux. In order to maximize validity, we have objectively gathered data on what is currently being done with respect to executive compensation plans and practices. The resulting special study is intended to present an in depth analysis of what is actually being done and allow the facts to speak for themselves. There is no universally acceptable method of executive compensation. We are presenting a variety of alternatives and considerations. The most important management decision to be made is the level of total compensation that will be competitive and the most motivational mix of that total compensation. It is our purpose to provide a frame of reference to reach valid conclusions.

In addition to tax implications, there are a number of Corporate Performance variables that strongly influence an Executive Compensation Plan design.

They include such things as:

Size

For purposes of executive compensation, size influences the amount of executive compensation most directly. We use the term size advisedly, since certain industries have different ways to measure size or corporate magnitude.

The most widespread measurement of size is sales volume and it is used in Manufacturing Retail and Service type industries. Size is measured in terms of assets by Banks and Insurance Carriers. Public Utilities and Transportation Companies use operating revenue to measure size. A pure common denominator does not exist.

In general, we may say that significant increases in size or corporate magnitude, irrespective of the method of measurement, reflects an increase in executive compensation. We may also say that executive compensation increases at a decreasing rate in relation to significant increases in size or corporate magnitude. However, when incentive compensation is a substantial part of the mix of executive compensation, there can

Size (Con't)

be wide swings in the mix of executive compensation based on significant fluctuation in profit levels.

Profits

Unfortunately, there is no direct correlation between corporate profits and corporate size, despite the fact that they are the two most significant performance variables. Profit is the corporate performance variable which has unique application. Individual corporate profit is the ultimate indicator of individual corporate performance. An additional ingredient, vital to the relationship between corporate size and corporate profit is the executive who can make a significant contribution to that objective.

Today, we see the ever expanding evolution of a more reasonable approach to executive compensation. It's intrinsic philosophy seems to be that additional compensation will be paid for measurable contribution to increased profits. Intensive effort is being expended towards quantifying the method of measuring individual contribution to increased profits. Corporate emphasis on individual goals, as well as corporate goals, has been extremely evident in the last few years, an additional 36.2% of the plans we surveyed this year (1984) as opposed to 1982.

Individual Company Incentive Set Asides

In a concerted effort toward improving the two major corporate performance variables of corporate magnitude and profitability, many identify certain corporate performance variables whose improvement through individual executive contribution would in turn improve the overall profitability of the corporation. Incentive set asides establish a certain floor reflected by a percentage or dollar amount of a corporate performance variable which must be exceeded before an incentive fund can begin to be generated. Set asides are intended to assure a reasonable return to the corporation and/or its stockholders prior to the generation of an incentive compensation fund. The fund formula page (12) give an excellent understanding of the type of set asides employed. They range from a basic set aside of profits to set asides against assets, net worth, capital invested, etc., which must be exceeded before a fund can be generated after an additional profit set aside level.

Purpose

The purpose of this study is to display the wide diversity of approaches used in the design of executive incentive compensation plans and the selection of executive perquisites together with their respective costs. It is our role to present those key elements of executive incentive compensation and executive perquisites which must be carefully evaluated by each company. Each company's evaluation must be based on their own corporate performance variables, the way in which these variables can be profitably improved and the degree to which selected executives can contribute to that profitability, prior to compensation plan design.

SECTION I

TYPES OF EXECUTIVE COMPENSATION PLANS REPORTED

TYPES OF EXECUTIVE COMPENSATION PLANS REPORTED

.Annual Executive Incentive Plan

.Annual Executive Bonus Plan

.Annual Executive Profit Sharing Plan

.Phantom Stock Bonus Plan

.Restricted Stock Option Plan

.Restricted Stock Bonus Plan

.Stock Appreciation Rights

.Dividend Equivalent Plan

.Performance Share Plan

.Performance Unit Plan

.Incentive Stock Options

SECTION II

EXECUTIVE INCENTIVE COMPENSATION

SUMMARIZATION OF THE KEY ELEMENTS UTILIZED IN GENERATING AN EXECUTIVE INCENTIVE COMPENSATION PLAN

THE KEY ELEMENTS UTILIZED (ASSUMING AN ADEQUATE PROFIT BASE) IN GENERATING THE INCENTIVE FUND ARE:

.ELEGIBILITY - DO THOSE ELIGIBLE MAKE A SIGNIFICANT AND RECOGNIZABLE CONTRIBUTION TO THE ORGANIZATION?

.FUND FORMULA - WILL IT GENERATE A FUND OF MONEY RELATED TO CORPORATE AND INDIVIDUAL PERFORMANCE?

.AWARD FORMULA - DOES IT REFLECT INTERNAL EQUITY IN DISTRIBUTING THE FUND?

METHODS OF DETERMINING ELIGIBILITY

.Eligibility

There were, among the 124 companies providing eligibility data, three major sources of eligibility for executive compensation.

1. Salary Grade - 83 cos. use it as their major source of eligibility.

   The mid-points of salary grades range from $20,000 to $67,500 with an unweighted average of $49,500.

2. Organization Level - 29 cos. use it as their major source of eligibility.

   14 cos. - Senior Corporate Officers, Division Executives, Corporate Staff and Division Top Management.

   8 cos. - Corporate Vice-Presidents and above.

   5 cos. - Officers of parent and subsidiaries and selected key management.

   2 cos. - Must be a Corporate Officer.

3. Discretionary - 12 cos. use it as their major source of eligibility.

Eligible Employees

The number of eligible employees reported ranged from 68 to 807 with an average of 281.

Employees Receiving Payment

The number of employees receiving incentive bonus payment in the reporting companies ranged from a low of 23 to a high of 798 with an average of 268. Thus, 95.4% of those eligible actually received payment. This represents 3.89% of total exempt employees and 1.02% of total employees.

Total Incentive Bonus Fund Generated

The total fund generated ranged from approximately $830,000 to $7,400,000 with an average of $3,434,010.

Was the Total Incentive Bonus Fund Paid Out?

110 companies - Yes

14 companies - No

Amount of Incentive Bonus Fund Paid Out

The total fund paid out ranged from $466,433 to $6,065,000 with an average payment of $3,299,529. Thus, 96.1% of the total fund generated was actually paid out.

Must the total Fund be awarded in the current year

93 companies - Yes

31 companies - No

If no, can surplus be carried forward to future year

18 companies - Yes

11 companies - No

2 companies - Option of the Board

METHODS OF GENERATING EXECUTIVE COMPENSATION FUNDS

FUND FORMULAE

PRE-TAX PROFITS

1. Straight Precentage of Pre-Tax profits

Examples:

- 5% of pre-tax earnings
- 6% of pre-tax earnings

2. Percentage payout in excess of set aside

Examples:

.President rates the company performance. This generates dollar pool that managers use for calculation of first 50% of bonus performance. Second 50% of bonus is based on company attaining certain earnings targets.

. 10% of pre-tax earnings in excess of 12% of net worth.

. 7% of pre-tax profit in excess of 14% of stockholders equity.

. 4% of pre-tax profit less 10% of adjusted net income.

. 5% of pre-tax profits up to $40,000,000. 6% of pre-tax profits between $40,000,000 and $45,000,000. 7% of pre-tax profits between $45,000,000

(over)

AFTER TAX PROFITS

1. Straight Percentage of After Tax Earnings

Examples:

- 8% of net operating income
- 10% of consolidated net - earnings

2. Percentage payout in excess of set aside

Examples:

. 15% of net profits in excess of 5% of capital employed, not to exceed 25% of dividends.

. 80% of consolidated net-profits after deducting 5% of consolidated net worth.

. 10% of net profits after 6% set aside on Return on Investment (ROI).

. 10% of the excess of net earnings over 5% of the capital invested.

. 8% of earnings in excess of 6% of net earnings.

.Actual EPS* growth over four year cycle. Cummulative

(over)

FUND FORMULAE (Con't)

PRE-TAX PROFITS	AFTER TAX PROFITS
and $50,000,000. 8% of pre-tax profits in excess of $50,000,000.	EPS targets are established. Performance Unit Awards are based on actual attainment of EPS against these targets.

* Earnings Per Share

METHODS OF ALLOCATING INDIVIDUAL AWARDS

Determination of Individual Award

40 companies - discretionary
54 companies - formula
6 companies - performance appraisal

Individual Award Formula Examples

.Weighted Goals - Based on attainment of goal and accomplishment schedule, individual can earn anywhere from 0 to 200% of mid-point of grade level.

.Fund for each operating unit based on performance to goals. Individual awards are distributed as a percentage of base salary in relation to individual performance rating. Top management adjusts on discretionary basis.

.Based on corporate performance and major operating unit performance with a percentage range applicable by salary grade related to performance appraisal. The percentage is applied to base salary.

.Once the President has rated the Company, each manager will have a pool of dollars to disperse. He may rate his subordinates and recommend bonuses at his discretion. Company earnings portions then added.

.Evaluation of performance of company and performance of individual vis a vis established quantitative and qualitative goals.

.Funds generated by formula are distributed to key individuals in proportion to their perceived contribution to sales, profit and asset utilization.

.Individual performance combined with operating unit performance yields a factor which when multiplied by individual salary equals incentive points. These are multiplied by an incentive point value which varies from year to year.

.Management makes awards to those who performed in an exceptional manner, based on quantitative performance appraisals in relation to individual goals.

.Each executive grade is allocated a certain percentage of fund increasing by grades. Executive's performance (and Sub's) influence pay out.

Lowest Award

The lowest award payments ranged from $1,000 to $5,200 and with an unweighted average of $3,892.

Average Award

The average awards paid by companies range from $10,000 to $18,000 with an unweighted average of $13,382.

Highest Award

The highest award payments range from $54,500 to $287,500 with an unweighted average of $160,682.

Maximum Limitation on Size of the Award

91 companies - none

33 companies - Yes

Representative Limitations

.Two times salary

.Two times mid-point of Sal. range

. 150% of salary

. 100% of salary

. 75% officers and 50% non-officers

. 60% of salary

. 40%, 45%, 50%, 60% depending on grade

.not more than 10% to one employee or more than 50% to the 10 highest receiving awards

Plan Period

63 companies - Calendar Year

51 companies - Fiscal Year

Method of Individual Payment

81 companies - cash

31 companies - varied Examples: .cash or phantom stock

.cash - current stock - deferred

(over)

Method of Individual Payment (Con't)

Examples: .mixed % of cash
and stock

THESE ELEMENTS PROVIDE THE FOUNDATION FOR DESIGN OF AN EXECUTIVE INCENTIVE COMPENSATION PLAN REFLECTING MANAGEMENT TOTAL COMPENSATION PHILOSOPHY. THAT IS, DOES MANAGEMENT WANT TO PAY COMPETITIVE TOTAL COMPENSATION OR TOTAL COMPENSATION ABOVE OR BELOW COMPETITION? DO THEY WANT TO PAY A LOW BASE WITH HIGH INCENTIVE TO PROVIDE A HIGHER DEGREE OF TOTAL COMPENSATION RELATED TO CORPORATE PERFORMANCE? DO THEY WANT TO PAY AT THE OTHER EXTREME WITH A HIGH BASE AND LOW INCENTIVE? THE ANSWER TO THESE QUESTIONS MUST BE DECIDED UPON BY MANAGEMENT AND THEIR ASSESSMENT OF THEIR PARTICULAR BUSINESS. HOW MUCH RISK IS INVOLVED AND HOW MUCH TOTAL COMPENSATION SHOULD BE RELATED TO THAT RISK? THE DEGREE OF RISK INCOME BUILT INTO THE DESIGN OF AN INCENTIVE PLAN DETERMINES THE SWING IN TOTAL COMPENSATION ALLOCATED TO FUTURE PERFORMANCE BOTH INDIVIDUAL AND CORPORATE.

AVERAGE INCENTIVE COMPENSATION FOR SELECTED

EXECUTIVE BENCHMARK POSITIONS

Average Incentive Plan Payment

For Selected Executive Benchmark Positions

Position: Chief Executive Officer

Average Sales Volume	Average Base Salary
$2.25 Bil.	$387,084

Average Incentive Compensation	Average Total Compensation
$173,261	$560,345

Incentive Compensation as a % of Base Salary 44.8%

Average Incentive Plan Payment

For Selected Executive Benchmark Positions

Position: Chief Operating Officer

Average Sales Volume	Average Base Salary
$2.1 Bil.	$255,000

Average Incentive Compensation	Average Total Compensation
$114,398	$369,398

Incentive Compensation as a % of Base Salary 44.9%

Average Incentive Plan Payment

For Selected Executive Benchmark Positions

Position: Executive Vice President

Average Sales Volume	Average Base Salary
$1.78 Bil.	$217,500

Average Incentive Compensation	Average Total Compensation
$98,750	$316,550

Incentive Compensation as a % of Base Salary 45.4%

Average Incentive Plan Payment

For Selected Executive Benchmark Positions

Position: Senior Vice-President

Average Sales Volume	Average Base Salary
$761.2 Mil.	$142,349

Average Incentive Compensation	Average Total Compensation
$55,112	$197,461

Incentive Compensation as a % of Base Salary 38.7%

Average Incentive Plan Payment

For Selected Executive Benchmark Positions

Position: Vice-President

Average Sales Volume	Average Base Salary
$756 Mil.	$80,500

Average Incentive Compensation	Average Total Compensation
$19,212	$99,712

Incentive Compensation as a % of Base Salary 23.9%

Average Incentive Plan Payment

For Selected Executive Benchmark Positions

Position: Division Vice-President

Average Sales Volume	Average Base Salary
$206.2 Mil.	$96,480

Average Incentive Compensation	Average Total Compensation
$36,595	$96,480

Incentive Compensation as a % of Base Salary 37.9%

Average Incentive Plan Payment

For Selected Executive Benchmark Positions

Position: Lowest Level Position Eligible (ex. Mgr., Mfg. Operations, Small Div. V.P., Mgr. Corp., Staffing, etc.)

Average Sales Volume	Average Base Salary
$40.5 Mil.	$44,520

Average Incentive Compensation	Average Total Compensation
$8,831	$53,531

Incentive Compensation as a % of Base Salary 19.8%

SECTION III

EXECUTIVE PERQUISITES

AVERAGE COST AND ELIGIBILITY FOR INDIVIDUAL PERQUISITES

Company Owned or Leased Car for Personal Use

Providing Executives with the use of a company owned or leased car is a common perquisite with 75.2% of the 157 participants providing the perquisite. The company cars provided by 118 participants were 89% rental cars and 11% purchased cars.

Number of Companies Providing Perquisite	118
Number of Executives Eligible	2692
Number of Executives Receiving (87.2% of eligible executives)	2349
Average Annualized Base Salary	$62,564
Average Annualized Cost of Perquisite (8.7% of Average Annualized Base Salary)	$5,434
Individual Annualized Cost (11.9% of Annualized Perquisite Cost)	$644

Company Eligibility:

81 companies - Organization Level - Corporate V.P. and Top Management of Divisions, Groups, and Subsidiaries.

25 companies - Corporate Officers

18 companies - Discretionary

Vacation Allowance In Excess Of Company Policy

Vacation Allowance in excess of company policy is a significant perquisite with 26.1% of the 157 participating companies granting the perquisite.

Number of Companies Providing Perquisite	41
Number of Executives Eligible	947
Number of Executives Receiving (93.1% of eligible executives)	882
Average Annualized Base Salary	$98,880
Average Annualized Cost of Perquisite (3.9% of Average Annualized Base Salary)	$3,877

Company Eligibility:

26 companies - Corporate Officers

10 companies - Corporate V.P. and Above

5 companies - Salary Grade

Club Memberships

Company paid Club Memberships for various types of clubs such as country clubs, Luncheon clubs, downtown athletic, etc., is a fairly common perquisite with 42.7% of the 157 participants providing the perquisite.

Number of Companies Providing Perquisite	67
Number of Executives Eligible	3,254
Number of Executives Receiving (90.4% of eligible executives)	2,940
Average Annualized Base Salary	$72,914
Average Annualized Cost of Perquisite (2.7% of Average Annualized Base Salary)	$1,967

Company Eligibility:

49 companies - Corporate Officers

10 companies - Corporate V.P. and Above

12 companies - Major Division or Major Operating Unit Top Management and Corporate Staff Executives

6 companies - Discretionary

Financial Planning

Free Financial Planning services include professional advice regarding items such as investments, estate and tax planning and often included preparation of personal income tax returns. This is a prevelant perquisite with 67.5% of the 157 companies providing it.

Number of Companies Providing Perquisite	105
Number of Executives Eligible	3,030
Number of Executives Receiving (92.0% of eligible executives)	2,789
Average Annualized Base Salary	$141,323
Average Annualized Cost of Perquisite (2.7% of Average Annualized Base Salary)	$2,789

Company Eligibility:

82 companies - Corporate Officers

43 companies - Corporate V.P. and Above

22 companies - Salary Grade

Medical Examination

Free Medical Examination is a fairly widespread perquisite with 24.8% of the 157 companies granting the perquisite. Unfortunately, the utilization of the perquisite leaves something to be desired.

Number of Companies Providing Perquisite	39
Number of Executives Eligible	2,079
Number of Executives Receiving (48.4% of eligible executives)	1,068
Average Annualized Base Salary	$69,512
Average Annualized Cost of Perquisite (0.5% of Average Annualized Base Salary)	$321
Individual Cost	$0

Company Eligibility:

27 companies - Corporate Officers

5 companies - Corporate V.P. and Above

7 companies - Major Division and Major Operating Unit Top Management and Corporate Staff Executives

Premium For Additional Medical Insurance

The premiums for additional medical insurance are paid by 26.8% of the 157 participating companies.

Number of Companies Providing Perquisite	42
Number of Executives Eligible	1,056
Number of Executives Receiving (97.5% of eligible executives)	1,072
Average Annualized Base Salary	$99,890
Average Annualized Cost of Perquisite (4.4% of Average Annualized Base Salary)	$4,414

Company Eligibility:

34 companies - Corporate Officers

8 companies - Corporate V.P. and Above

Premium Payment For Additional Life Insurance

The premium payments for additional life insurance are paid by 26.8% of the 157 participating companies.

Number of Companies Providing Perquisite	42
Number of Executives Eligible	1,072
Number of Executives Receiving 100% of eligible executives)	1,072
Average Annualized Base Salary	$99,890
Average Annualized Cost of Perquisite (1.8% of Average Annualized Base Salary)	$1,778

Company Eligibility:

34 companies - Corporate Officers

8 companies - Corporate V.P. and Above

Premium Payments for Non-Qualified Supplemental Retirement Plan

Although premium payments for non-qualified supplemental retirement plans represent a significantly high cost, 3.8% of the 157 participating companies provide this perquisite.

Number of Companies Providing Perquisite	6
Number of Executives Eligible	56
Number of Executives Receiving (100% of eligible executives)	56
Average Annualized Base Salary	$110,170
Average Annualized Cost of Perquisite (14% of Average Annualized Base Salary)	$15,455

Company Eligibility:

6 companies - Corporate Officers and Key Executives as determined by the Board of Directors

AVERAGE COST OF PERQUISITES FOR SELECTED

EXECUTIVE BENCHMARK POSITIONS

Executive Perquisites For Selected Executive Benchmark Position

Position: Chief Executive Officer

Average Sales Volume	Average Base Salary
$1,503 Bil.	$395,000

Avg. Annual Cost of Perquisites	$21,704
Avg. Annual Cost of Perquisite as a % of Base Salary	5.5%
Avg. Annualized Cost of Perquisites to the Individual	$825
Avg. Annualized Cost of Perquisite to the Individual as a % of Base Salary	0.21%

Executive Perquisites For Selected Executive Benchmark Position

Position: Chief Operating Officer

Average Sales Volume	Average Base Salary
$2.08 Bil.	$295,400

Avg. Annual Cost of Perquisite $10,463	Avg. Annual Cost of Perquisite as a % of Base Salary 3.5%
Avg. Annualized Cost of Perquisites to the Individual $1,000	Avg. Annualized Cost of Perquisite to the Individual as a % of Base Salary 0.34%

Executive Perquisites For Selected Executive Benchmark Position

Position: Executive Vice-President

Average Sales Volume	Average Base Salary
$1.25 Bil.	$161,860

Avg. Annual Cost of Perquisites	$12,920
Avg. Annual Cost of Perquisite as a % of Base Salary	8.0%
Avg. Annualized Cost of Perquisites to the Individual	$725
Avg. Annualized Cost of Perquisite to the Individual as a % of Base Salary	0.5%

Executive Perquisites For Selected Executive Benchmark Position

Position: Senior Vice-President

Average Sales Volume	Average Base Salary
$574 Mil.	$122,566

Avg. Annual Cost of Perquisites $9,684	Avg. Annual Cost of Perquisites as a % of Base Salary 7.9%
Avg. Annualized Cost of Perquisites to the Individual $675	Avg. Annualized Cost of Perquisite to the Individual as a % of Base Salary 0.6%

Executive Perquisites For Selected Executive Benchmark Position

Position: Vice President

Average Sales Volume	Average Base Salary
$508 Mil.	$71,750
Avg. Annual Cost of Perquisites $8,753	Avg. Annual Cost of Perquisites as a % of Base Salary 12.2%
Avg. Annualized Cost of Perquisites to the Individual $675	Avg. Annualized Cost of Perquisite to the Individual as a % of Base Salary 0.94%

Executive Perquisites For Selected Executive Benchmark Position

Position Division Vice-President

Average Sales Volume	Average Base Salary
$51.2 Mil.	$83,667

Avg Annual Cost of Perquisites $9,172	Avg. Annual Cost of Perquisites as a % of Base Salary 11%
Avg. Annualized Cost of Perquisites to the Individual $650	Avg. Annualized Cost of Perquisite to the Individual as a % of Base Salary 0.78%

Executive Perquisites For Selected Executive Benchmark Position

Position: Lowest Level Position Eligible

Average Sales Volume	Average Base Salary
$50.5 Mil.	$61,000

Avg. Annual Cost of Perquisites $4,060	Avg. Annual Cost of Perquisites as a % of Base Salary 6.7%
Avg. Annualized Cost of Perquisites to the Individual $650	Avg. Annualized Cost of Perquisite to the Individual as a % of Base Salary 1.2%

SECTION IV

SUMMARY

Average Cost of Executive Incentives and Perquisites

Average Cost of Executive Incentives and Perquisites

Averages are unweighted*

	Avg. Base Salary	Avg. Incentive Award	% of Avg. Base Salary	Avg. Sales Volume Impacted
Executive Incentives	$175,816	$72,729	41.4%	$1,128 Bil.

	Avg. Base Salary	Avg. Company Cost of Perk.	% of Avg. Base Sal.	Avg. Cost to Individual	% of Base Sal.	Avg. Sales Vol. Impacted
Executive Perquisites	$170,178	$11,108	6.52%	$746	0.44%	$811.2 Mil.

* In order to present average data in a meaningful format, it was necessary to use unweighted averages. With respect to Executive Incentive Compensation, there was an extremely heavy reporting of Chief Executive Officer and Chief Operating Officer data to the exclusion of certain other benchmark positions. We did not wish to allow this phenomenon to distort our results. With respect to Executive Perquisites, there was wide fluctuation in eligibility for perquisites. You will note above that the average sales volume impacted for companies providing Executive Perquisites is almost 40% below those proving Executive Incentive Compensation.

The unweighted averages avoid unrealistic distortions in the distribution data for Executive Incentives and Perquisites.